

Message Text

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PAGE 01 LONDON 10616 01 OF 02 101729Z

51

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 EURE-00 CIAE-00 COME-00 EB-07

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LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 10616

E.O. 11652: N/A

TAGS: ELAB, PINT, UK

SUBJECT: THE TUC BITES HEALEY'S "BULLET" -- BUT THE VOTE
IS TOO CLOSE FOR COMFORT

REF: LONDON 10283

1. BEGIN SUMMARY: JUDGING FROM THE CLOSENESS OF THE
VOTE OF ITS GENERAL COUNCIL YESTERDAY (19-13 WITH 6 MEM-
BERS ABSENT) FOR A VOLUNTARY WAGE RESTRAINT POLICY, THE
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PAGE 02 LONDON 10616 01 OF 02 101729Z

TUC WAS DRAGGED -- IF NOT KICKING AND SCREAMING -- VERY

RELUCTANTLY INTO CHANCELLOR HEALEY'S CORRAL. THE GENERAL COUNCIL IN LEN MURRAY'S TERMS "BIT THE BULLET" BY AGREEING TO A VOLUNTARY WAGE RESTRAINT POLICY CENTERING ON A 6 POUND FLAT RATE INCREASE TO ALL WORKERS EARNING LESS THAN 7,000 POUNDS A YEAR, BUT DEMANDED A TOUGHER PRICE RESTRAINT PROGRAM, MAINTENANCE OF FOOD SUBSIDIES, AND GOVERNMENT ACTION TO CURB UNEMPLOYMENT. THE LEADERS OF INDUSTRY -- THE CBI -- ALSO MET YESTERDAY AND IN ADDITION TO DEMANDING A LOWER WAGE INCREASE CEILING -- OF 5 POUNDS -- SHARPLY DIFFERED WITH THE TUC ON SEVERAL ESSENTIAL POINTS, INCLUDING THE MEANS OF ENFORCING A WAGE RESTRAINT POLICY. PRIME MINISTER WILSON IS MEETING WITH HIS CABINET TODAY TO EXAMINE THE POSITIONS OF BOTH SIDES OF INDUSTRY, AND TOMORROW THE GOVERNMENT WILL ISSUE ITS WHITE PAPER ON THE SUBJECT FOR PRESENTATION TO PARLIAMENT. THE ODDS ARE THAT IT WILL ACCEPT THE MAJOR TUC LINE -- A 6 POUND NORM -- AND THAT IT WILL CARRY THE DAY FOR ITS BASIC NEW APPROACH. END SUMMARY.

2. THE TUC AGREED THAT THERE SHOULD BE AN INCREASE NOT TO EXCEED 6 POUNDS A WEEK FOR ALL WORKERS EARNING LESS THAN 7,000 POUNDS A YEAR, WITH THE POLICY TO OPERATE FROM EARLY AUGUST FOR A 12-MONTH PERIOD; WITH NO SPECIAL CASES BUT ACCEPTING THE POSSIBILITY OF A JOINT CBI-TUC PANEL TO EXAMINE UNUSUAL CASES FOR ARBITRATION. IT FURTHER CALLED FOR A PRICE TARGET OF 10 PERCENT LESS BY AUTUMN, 1976 THAN A YEAR EARLIER, THAT WAGE RAISES COULD BE POLICED THROUGH THE PRICE CODE (EMPLOYERS NOT ALLOWED TO RAISE PRICES TO MEET COST OF EXCESSIVE WAGE AGREEMENTS), AND A 6-MONTH GAP BETWEEN PRICE RISES TO BE ENFORCED IF THE GOVERNMENT FAILS TO GET VOLUNTARY PRICE CURBS ON SELECTED CONSUMER GOODS. IT ALSO DEMANDED THAT THE GOVERNMENT MAINTAIN FOOD SUBSIDIES AND THAT IT CURB UNEMPLOYMENT. (DETAILED TEXT OF THE TUC DOCUMENT WILL BE SENT AS SOON AS AVAILABLE.)

3. THE CBI - ON THE OTHER HAND - ALSO MET YESTERDAY AND CALLED FOR A 5 POUND PER WEEK LIMIT (OR 15 PERCENT WHICH EVER IS LOWER) AND DEMANDED THAT THE ENFORCEMENT OF THIS WAGE LIMIT SHOULD BE AIDED BY REMOVING SOCIAL SECURITY LIMITED OFFICIAL USE

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PAGE 03 LONDON 10616 01 OF 02 101729Z

BENEFITS TO PEOPLE WHO ATTEMPTED TO EXCEED WAGE NORMS THROUGH STRIKE ACTION (A STIPULATION WHICH IS VERY UNLIKELY TO GAIN ACCEPTANCE). IT ALSO DEMANDED THAT THE UPPER LIMITS ON INCREASES BE PEGGED AT 15,000 POUNDS, RATHER THAN THE TUC'S 7,000 POUND LIMIT. IT SAID THE GOVERNMENT SHOULD LIMIT CASH MADE AVAILABLE TO NATIONALIZED INDUSTRIES AND TO THE GENERAL PUBLIC SECTOR IN ORDER TO ENSURE THAT EXCESSIVE WAGE INCREASES ARE NOT

PAID. MOREOVER, THE INDUSTRIALISTS INSISTED THAT THE GOVERNMENT TAKE THE LEGAL POWER TO ENFORCE WAGE LIMITS ON BOTH WORKERS AND EMPLOYERS. THE CBI ALSO REJECTED THE TUC'S SUGGESTIONS OF A TOUGHENING UP OF THE PRICE CODE. AND THE CBI - UNLIKE THE TUC - WANTS THE WAGE NORM TO CONTINUE BEYOND A 12-MONTH PERIOD.

4. THE CABINET WILL HEAR CHANCELLOR OF THE EXCHEQUER DENIS HEALEY'S VIEWS TODAY ON THESE TWO SETS OF POSITIONS. ALTHOUGH SEVERAL OBSERVERS BELIEVE THAT THE GOVERNMENT WILL BE AMENABLE TO A GREATER NUMBER OF THE TUC'S STIPULATIONS THAN THOSE OF THE CBI (PARTICULARLY THE 6

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PAGE 01 LONDON 10616 02 OF 02 101733Z

51

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LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 10616

POUND A WEEK NORM), IT WILL HAVE TO DEAL WITH ONE MAJOR THORNY ISSUE: THE QUESTION OF LEGAL POWERS TO ENFORCE WAGE RESTRAINT. IT WILL HAVE TO DECIDE WHETHER TO AGREE TO RESERVE STATUTORY POWERS TO MAKE IT ILLEGAL FOR EMPLOYERS TO GRANT EXCESSIVE WAGE SETTLEMENTS OR TO INCORPORATE SANCTIONS IN THE LAW WHICH WILL OPERATE AS SOON AS THE WAGE NORM WENT INTO EFFECT. (YESTERDAY AT A MEETING OF THE LABOR PARTY NATIONAL EXECUTIVE COMMITTEE, LIMITED OFFICIAL USE

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PAGE 02 LONDON 10616 02 OF 02 101733Z

LEFT-WINGERS TRIED TO GET A RESOLUTION WHICH WOULD COMMIT THE NEC TO OPPOSE ANY WAGE RESTRAINT BASED ON STATUTORY REGULATIONS, BUT THIS FAILED FOR LACK OF A QUORUM, AS A NUMBER OF NEC MEMBERS, INCLUDING SEVERAL CABINET MINISTERS, DRIFTED AWAY FROM THE MEETING FOR OTHER BUSINESS. MICHAEL FOOT, SECRETARY OF STATE FOR EMPLOYMENT, WHO WAS EXPECTED BY SOME LEFT-WINGERS TO BALK AT ANY FORM OF STATUTORY CONTROLS ON INCOME, MADE IT CLEAR AT THE NEC MEETING THAT HE WAS SUPPORTING GOVERNMENT POLICY AND WOULD NOT RESIGN OVER THE ISSUE. (SEE SEPTTEL.)

5. BUT EVEN AFTER THE WHITE PAPER IS ACCEPTED BY PARLIAMENT, THERE WILL BE OTHER MAJOR HURDLES. FOR ONE, THE TUC CONGRESS WILL HAVE TO DEBATE THE POLICY SO NARROWLY AGREED BY ITS GENERAL COUNCIL YESTERDAY. A TUC OFFICIAL, WITH WHOM WE SPOKE TODAY, EXPECTS A "HELLUVA FIGHT" AT THE SEPTEMBER CONGRESS OF THE ORGANIZATION IN BLACKPOOL. THE TUC HEADQUARTERS STAFF -- INCLUDING TUC GENERAL SECRETARY MURRAY -- ALTHOUGH PUTTING A BRIGHT FACE TO THE CLOSE VOTE -- WERE CLEARLY DISAPPOINTED WITH THE RESULTS, ALTHOUGH THEY EXPECT SOME OF THE UNIONS WHO VOTED AGAINST THE WAGE RESTRAINT PROPOSALS TO CHANGE THEIR POSITION LATER. THE VOTE WAS NOT A TYPICAL LEFT-RIGHT SPLIT EITHER. VOTING AGAINST THE MARK II VERSION OF THE SOCIAL CONTRACT WERE SUCH MEN AS LORD ALLEN, OF THE SHOPWORKERS, WHO HAD BEEN ONE OF THE STAUCHEST SUPPORTERS OF THE MARK I VERSION, BUT OUR SOURCE TOLD US THAT ALLEN DID NOT LIKE WHAT HE CONSIDERED AS A RELATIVELY SOFT VIEW ABOUT PRICES FROM THE TUC, SINCE PRICE INCREASES HIT HIS MEMBERS HARDER THAN MOST WORKERS.

6. OTHER UNION LEADERS SUCH AS THOSE FROM THE PUBLIC WORKERS AND THE LOCAL GOVERNMENT OFFICIALS FEAR THEY WILL GET THE SHORT END OF THE STICK WHEN THE WAGE NORM IS IM-

PLEMENTED SINCE IT IS EASIER TO CONTROL PUBLIC WORKERS' PAY BUT SOMETIMES QUITE DIFFICULT TO PREVENT "UNDER-THE-TABLE" INCREASES IN THE PRIVATE SECTOR. LEADING THE CONTINGENT IN FAVOR WERE, OF COURSE, THE TRANSPORT WORKERS' CONTINGENT HEADED BY JACK JONES AND THE MUNICIPAL WORKERS UNDER DAVID BASNETT. IRONICALLY, JOHN BOYD WHO IS BELIEVED TO BE A SUPPORTER OF A WAGE RESTRAINT, HAD TO LIMITED OFFICIAL USE

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PAGE 03 LONDON 10616 02 OF 02 101733Z

VOTE "NO" BECAUSE OF A MANDATE FROM HIS ENGINEERING WORKERS' UNION.

7. COMMENT: THE DECISIVE TEST WILL COME, HOWEVER, AFTER BLACKPOOL. AS RECENT HISTORY HAS SHOWN, A FEW BIG UNIONS COULD MAKE A MOCKERY EVEN OF A POLICY WITH SHARP LEGAL TEETH, IF THERE IS A WILL TO OPPOSE IT. THE REAL TESTS WILL COME THIS AUTUMN WHEN SUCH UNIONS AS THE MINERS ACTUALLY GET DOWN TO THE NITTY-GRITTY OF NEGOTIATIONS. THE GOVERNMENT CAN ONLY HOPE THAT THE MOOD OF THE COUNTRY AND OF A MAJOR PART OF ITS POPULATION -- THE WORKERS -- IS OF SUCH GRAVITY THAT A WAGE RESTRAINT WILL WORK. THERE IS SOME REASON TO BELIEVE THAT THERE IS SUCH A MOOD DEVELOPING IN GREAT BRITAIN TODAY. END COMMENT.RICHARDSON

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